
A BILL FOR AN ACT

RELATING TO SMALL BUSINESS LOANS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The Hawaii Revised Statutes is amended by
2 adding a new chapter to title 13 to be appropriately designated
3 and to read as follows:

4 "CHAPTER

5 HAWAII START-UP BUSINESS LOAN PROGRAM

6 § -1 **Definitions.** As used in this chapter:

7 "Department" means the department of business, economic
8 development, and tourism.

9 "Division" means the business development and support
10 division of the department of business, economic development,
11 and tourism.

12 "Financial institution" means any organization authorized
13 to do business under state or federal laws relating to financial
14 institutions, including without limitation, banks, community
15 development financial institutions (CDFIs), nonprofit loan
16 funds, credit unions, financial services loan companies, savings
17 and loan companies or associations, and savings banks.



1 "Fund" means the Hawaii start-up business loan program
2 revolving fund established in this chapter.

3 "Program" means the Hawaii start-up business loan program
4 established in this chapter.

5 "Start-up business" means a business that:

- 6 (1) Is registered in the State;
7 (2) Has been in business for three years or fewer; and
8 (3) Fulfills the qualifications established by the
9 division to receive a start-up business loan under
10 this chapter.

11 **§ -2 Hawaii start-up business loan program.** There is
12 established a Hawaii start-up business loan program that shall
13 be administered by the division in coordination with the Hawaii
14 technology development corporation.

15 **§ -3 Powers of the division.** In administering the
16 program, the division shall:

- 17 (1) Adopt rules pursuant to chapter 91 necessary to carry
18 out the purposes of this chapter; and
19 (2) Perform all other functions necessary to effectuate
20 the purposes of this chapter.



1 **§ -4 Program rules.** The division shall adopt rules
2 pursuant to chapter 91 that shall:

- 3 (1) Prescribe loan eligibility qualifications;
4 (2) Establish preferences and priorities for ranking loan
5 applicants;
6 (3) Establish the eligibility qualifications for
7 continuing a loan; and
8 (4) Establish procedures for inspecting, at reasonable
9 hours, the facility, finances, and records of any
10 enterprise that has applied for or been granted a
11 loan, and requiring a grantee to submit progress
12 reports and final reports.

13 **§ -5 Direct loans; terms and restrictions.** (a) The
14 division may make a loan to a start-up business to finance
15 working capital, construction, or the improvement of facilities
16 and equipment. The loan shall not be made in conjunction with
17 any other loan made or grant awarded by the division. If loans
18 made by the division are secured, the security may be
19 subordinated to loans made by other financial institutions, when
20 the subordination is required to obtain loans from those



1 institutions. The necessity for and the extent of security
2 required in any loan shall be determined by the division.

3 (b) Program loans shall be subject to the following
4 conditions:

- 5 (1) No loan shall be granted unless no other financial
6 assistance is available to the applicant; provided
7 that the division may waive this condition if the
8 applicant has participation loans or loan guarantees
9 with a private financial institution;
- 10 (2) The total amount of a loan shall not exceed \$20,000;
- 11 (3) No loan shall be made for a term exceeding six years;
- 12 (4) Each loan shall bear simple interest at a rate of four
13 per cent per annum; and
- 14 (5) The division may defer payment of interest on the
15 principal of a loan; provided that interest payments
16 shall not be deferred for more than twenty-four months
17 from the date of issuance of the loan.

18 (c) The division may contract with any financial
19 institution for loan services, including loan servicing or
20 administration pursuant to this section.



1 **§ -6 Hawaii start-up business loan program revolving**
2 **fund.** (a) There is established in the state treasury the
3 Hawaii start-up business loan program revolving fund, into which
4 shall be deposited:

5 (1) Appropriations made by the legislature to the fund;

6 (2) Moneys received as loan repayments; and

7 (3) Any interest paid on program loans.

8 (b) Moneys in the fund shall be administered by the
9 department and shall be used to provide loans to start-up
10 businesses pursuant to section -2.

11 (c) All unexpended and unencumbered moneys remaining in
12 the fund at the close of business on June 30 each year shall not
13 lapse to the credit of the state general fund.

14 (d) The department may contract with any financial
15 institution for fund management services, including the day to
16 day management of the fund pursuant to this section.

17 **§ -7 Reports.** The department shall submit a report of
18 the division's activities in administering the program to the
19 legislature no later than twenty days prior to the convening of
20 each regular session, beginning with the regular session of
21 2023. The report shall include:



1 (1) A description of how the program has been utilized;

2 (2) A summary of information and analytical data
3 concerning the program's administration; and

4 (3) An accounting of repaid loans."

5 SECTION 2. There is appropriated out of the general
6 revenues of the State of Hawaii the sum of \$ or so much
7 thereof as may be necessary for fiscal year 2022-2023 to be
8 deposited into the Hawaii start-up business loan program
9 revolving fund established pursuant to section -6 of section 1
10 of this Act.

11 The sum appropriated shall be expended by the department of
12 business, economic development, and tourism for the purposes of
13 this Act.

14 SECTION 3. There is appropriated out of the Hawaii start-
15 up business loan program revolving fund the sum of \$ or so
16 much thereof as may be necessary for fiscal year 2022-2023 for
17 the purpose of implementing the Hawaii start-up business loan
18 program and to provide loans under the program.

19 The sum appropriated shall be expended by the business
20 development and support division of the department of business,
21 economic development, and tourism for the purposes of this Act.



1 SECTION 4. If any provision of this Act, or the
2 application thereof to any person or circumstance, is held
3 invalid, the invalidity does not affect other provisions or
4 applications of the Act that can be given effect without the
5 invalid provision or application, and to this end the provisions
6 of this Act are severable.

7 SECTION 5. This Act shall take effect on July 1, 2050.



Report Title:

Hawaii Start-Up Business Loan Program; Hawaii Start-Up Business Loan Program Revolving Fund; DBEDT; Business Development and Support Division; HTDC; Report; Appropriation

Description:

Creates the Hawaii Start-Up Business Loan Program to be administered by the Business Development and Support Division of the Department of Business, Economic Development, and Tourism, in coordination with the Hawaii Technology Development Corporation. Establishes the Hawaii Start-up Business Loan Program Revolving Fund. Requires DBEDT to submit an annual report to the Legislature on the program's utilization and administration. Appropriates moneys. Effective 7/1/2050.
(SD2)

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